

July 21, 2016

Cybele Thompson
Director, Real Estate Assets
The City of San Diego
1200 3rd Avenue
San Diego, CA 92101

RE: Commercial Office Building located at 101 Ash Street, San Diego, California

Dear Cybele:

The purpose of this letter is to express the mutual intentions and agreements of Cisterra Development ("Cisterra") and the City of San Diego ("City") with respect to the pending purchase by Cisterra, and the possible purchase agreement assignment/lease-to-own option by the City, of the commercial office building and land located at 101 Ash Street, San Diego, California, formerly occupied by Semptra Energy.

We understand that the City believes that a direct purchase of the Property, financed through the City's issuance of bonds, may be more financially advantageous to the City compared to a transaction similar to the acquisition and lease of Civic Center Plaza by Cisterra and the "lease-to-own" to the City that was successfully accomplished last year for that complex.

Cisterra recently had the Property under a purchase contract (the "Initial Purchase Agreement"), and since Cisterra had an agreement in principle with the Property owner to put it back under contract, by Cisterra entering into a purchase agreement with the Property owner (the "New Purchase Agreement"), we were well-positioned to help the City keep its options open. Accordingly, we proposed to do just that, and then allow the City the opportunity to decide how it would like to proceed, whether it is to directly purchase the Property, using the City's own bonding capacity, or enter into a long-term lease with Cisterra that includes an opportunity to eventually own the Building.

When we ultimately elected not to close on the Initial Purchase Agreement, we were able to recover our escrow deposits, but we were not able to recover the various due diligence and transactional costs we incurred investigating the Property and putting the transaction together, such as fees paid to consultants and other professionals ("Initial Unrecovered Expenses"). In order to keep the Property under contract at this time, we will be required to make non-refundable deposits into escrow ("Option Payments") and will incur additional professional fees and expenses ("Additional Expenses").

If the City ultimately desires to buy the Property directly, using its own financing capabilities, Cisterra is able and willing to assign its rights under the New Purchase Agreement to the City. All that Cisterra will seek in consideration of such an assignment will be the payment of its Initial Unrecovered Expenses, and Option Payments and any Additional Expenses, all of which will be 3rd party and subject to support documentation and verification. Cisterra will not be entitled to any "mark-up" in the Property's purchase price or any other form of assignment-related compensation or consideration.

Alternatively, however, should the City ultimately not desire to or not be able to directly purchase the Property using its own bonding capacity, then Cisterra will be in a position with the City to do a transaction with respect to the Property more in line with the Civic Center Plaza "lease-to-own" transaction (a "Lease Transaction").

As you are probably aware, longer term interest rates have decreased recently. If interest rates in connection with a Lease Transaction were locked right now, Cisterra could offer the City even lower rents than previously quoted. Should the City choose the Lease Transaction option outlined below, Cisterra would work with our financing source and provide the City with adjusted rent quotes reflecting then-current rates and spreads. As of today, the basic economic terms would be as described below.

Based on the foregoing, Cisterra proposes to move forward with an understanding under which the City will have the right to choose one of the three following options:

Option 1 – City will have the right to take an assignment of the New Purchase Agreement from Cisterra, concurrently with the closing date of the City's acquisition of the Property. In consideration of such assignment, the City shall pay Cisterra its Initial Unrecovered Expenses (estimated to total \$11,270), Options Payments (which, under the terms of the New Purchase Agreement are \$100,000 upon execution and \$100,000 per month thereafter until closing or termination) and Additional Expenses (estimated to total \$39,000), all in amounts to be documented and verified prior to closing.

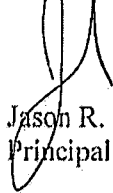
Option 2 – City will have the right to enter into a 20-year lease of the entire Property from Cisterra. The lease will provide for a flat rental rate without rent escalations and a \$5 Million tenant improvement allowance, ownership by the City at the end of the lease term, and otherwise under similar terms and conditions as the Civic Center Plaza lease. The rent shall be determined based on interest rates and spreads once the City selects this option and the interest rate can be locked (if the lock hypothetically happened today, the rent would start at \$1.67 PSF on an agreed upon 314,545 square feet totaling to approximately \$126,070,000 in total rent payments over the 20-year term).

Option 3 – City will have the right to terminate this transaction at any time and shall concurrently reimburse Cisterra for all Unrecovered Expenses, Options Payments and Additional Expenses, in an amount to be documented and verified at the time of City's termination.

The purpose of this letter is to generally outline terms between Cisterra and the City for moving forward into a formal agreement. Notwithstanding the foregoing, it is agreed that this letter shall be nonbinding upon the parties.

If the above terms are acceptable, please sign where indicated below to signify acceptance and return an executed copy to me. Thank you for your consideration to this proposal.

Sincerely,



Jason R. Wood
Principal

The foregoing is hereby acknowledged and agreed to by:

Signature: _____

Name: Cybele L. Thompson, RPA, FMA, CCIM, LEED AP

Title: City of San Diego, Director, Real Estate Assets

Date: July 21, 2016